

# The Bretton Woods International Financial Institutions: Perspective of the Underdeveloped States

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**Abstract** This paper analyzes the roles and operations of the Bretton Woods institutions, the International Monetary Fund, and International Bank for Reconstruction and Development, as it relates to their modus operandi and dealings with the poor and needy underdeveloped countries of the South. The most common understanding of the roles of international organizations such as the IMF and the World Bank is that of a platform for the common good of members. Viewed however, from the perspective of the weak and poor states of the world, they are instruments in the hands of the dominant power players in the international system. Adopting the theoretical frameworks of realism and third world approach, this paper finds that though the international financial institutions have supplied funds aimed for development and for the handling or control of crisis, they leave so much to desire in the cases of the underdeveloped states. The paper concludes that the actual intentions of the IMF and World Bank are primarily directed at making the developing countries perform better in their client relationship with the west.

**Keywords:** IMF, word bank, underdeveloped countries

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## 1. Introduction

One of the most pervasive phenomena that transverses the annals of the contemporary globalized system is the overwhelming presence of international economic organizations and institutions. Such international bodies are created in order to harmonize states' relations in ways that are beneficial to member states of the international society. States and societies rely on such institutions inter alia, to reduce uncertainty, and ensure order and balance. The establishment of lawfulness and the curtailing of precariousness are imperative in the prevention of an economic crisis on a global scale. One of the growing areas of international life that had required the creation of institutions is the regulation of currency exchanges. With the increase in the level of global trade and other financial transactions, the need to secure, promote and steady the cycling of various national currencies became vital. To meet this need, a number of international organizations and institutions have been founded both at the global and regional international levels. Among them are the Bretton Woods financial institutions; the International Monetary Fund (IMF), and the International Bank for Reconstruction and Development (IBRD), otherwise called World Bank. Though the World Bank, the IMF and various international and regional financial systems and institutions have made funds available for growth and advancement, garnered

specialized support for the control of crisis and spearheaded the needed structures for burgeoning markets; some people are of the opinion that these efforts are unfair to all parties. From the perspective of the poor and appendage economies of the world, the IMF and World Bank are but puppets playing to the tune of the West, principally Britain and United States, for the perpetuation of imperialism and dependency relationship. From the weak states' experiential analysis of the modus operandi of the Bretton Woods system, the real motives of the International Monetary Fund and World Bank institutions appear to be primarily directed at making the developing countries perform better in their client relationship with the West.

## 2. Theoretical Framework

Arguably, the most dominant among the theories of international organizations is Realism and its associated strands, Neo-realism et al. The stance of both the Realists and neo-realists emanate out of the assertion that the world is anarchical and a wilderness where its defining characteristic is the clash between individuals, and that of states against their counterparts. Given that the global stage is often perceived as a continual and almost shambolic entanglement of disputatious state powers, while international institutions are assessed within the perspective of the quest for supremacy and control;

realists argue that a state must, in order to guarantee its survival, ensure at the very least that its competitors do not become more powerful. In realist thought, it is more preferred that a state itself, gains power. Considering that what can be stated as a world order is simply an attestation of the exercising of the concept of the equilibrium of power, realists interpret the existence and the responsibility of international organizations as emphasizing and encouraging that balance. In being accurate, the realists' general notion about international organizations is largely that of unfair and insincere, as evidently seen in the fundamental flaws displayed by these organizations [1]. One of the key suggestions of realism is that states are inclined to work at fulfilling their own interests, and in as much as organizations are seemingly supportive in realization of these interests and aspirations, the existence and functioning of such organizations are easier for realists to define. However, forms of corporations that seemingly oppose the national interests will be a difficult one for realists to explain. From the realists' vantage point, the decision-making protocols of international organizations is structured in such a manner that wholly favours its strongest and most influential members states, who funnily enough, are unfairly entitled to a higher share of 'exclusive' voting rights and certain privileges in most international organizations. The western industrialized states, especially the United States of America are more favoured by the practice of weighed voting in the International Monetary Fund (IMF) Governing Board and World Bank; while the right to veto decisions is accorded to its five established members by the United Nations Organization's Security Council. Seen in this light, the two global financial organizations, IMF and World Bank are certainly for the perpetuation of political and economic dominance of the strong and the rich, against the poor and the weak states of the world.

Akin to this argument, is the theoretical standpoint of the Third World Approach and the Dependency theory. Over the last few years, scholarship on international organization has brought about questions being asked on the existence and functioning of international organizations, based on the perspectives of the experiences shared by Third World citizens. This notion has been largely expressed by members of Third World Approaches to International Law (TWAIL) a group of second generation scholars from underdeveloped nations, in the field of International Law [2]. It advocates for the decolonization of the manner in which the history of international organizations is recounted and suggests a contrasting narrative to the mainstream history of international organizations as narrated by liberal and neo-liberal scholars. The adherents of this approach note that Asian and African states contributed marginally in the forming of post-second World War institutions, which exist to facilitate a neo-colonial project under the hegemony of the West. The key organizations in this respect have been the International Monetary Fund, the World Bank, and the GATT/WTO, including the United Nations [3]. Particularly, the international financial institutions take advantage of countries of the global South by coercing them with financial conditionality into adopting neo-liberal economic blueprints to the benefit of corporate actors in the global North.

Extrapolating from the positions and postulations of the theories above, is the assumption that far from intending good for the countries of the world, the IMF and World Bank are instruments in the hands of the rich western countries used in the exploitation of poor countries. The IMF and World Bank, and by extension other global international organizations, along with international laws, are frameworks carefully crafted by the powerful states, principally the USA, to further their own foreign policy objectives and interests.

### 3. Bretton Woods: The Origin of the IMF and World Bank

The establishment of both the IMF and World Bank is traced to the Bretton Woods Conference of 1944. At this conference at New Hampshire in 1944 was where these international financial institutions were created. This creation was necessitated by the pre-World War II economic conflicts between major European powers that contributed to the outbreak of the war. The belief that informed the creation according to analysts was that the Infamous Depression of the 1930s and World War II, were partly caused by the near international monetary chaos that characterized the years between 1919 and 1939 [4]. During this period, the international monetary order was identified by the practice of liberal exchange rates, which was lax and permitted countries to sway their currency with the aim of hiking economic gains. When faced with economic stagnation, for example, countries could respond by devaluing their currency as an avenue to spur their exports through their devalued currencies. Although this strategy tended to provide short-term gain, it did so at the expense of other countries, which tended to follow suit, thereby leading to a spiral of currency devaluations that greatly interrupted the stability of international trade and investment. Consequently, wild inflation struck some countries. This background created the impetus for the creation of a solid financial system needed to ensure a thriving economy as well as an efficient output in global trading [5]. The western democracies became at this time, specifically worried about the common need to put in place, a set of laws and guidelines for a more streamlined way of operating in global trading and disbursements in the future, as well as revamping economies shattered by the war. This concern brought about a global conference called the United Nations Monetary and Financial Conference at Bretton Woods, in 1944. Prepared to resuscitate the global financial scheme as the World War II was becoming intense, seven hundred and thirty (730) delegates from all the forty-four (44) Allied Nations convened at the Mount Washington Hotel in Bretton Woods, New Hampshire, United States in July, 1944 [6].

The 44 Allied Powers that met at the Bretton Woods Conference unanimously agreed that the economic chaos witnessed in the previous decade needed to be evaded. However, clear consensus did not exist regarding the precise character of the new international economic order that should be established [4]. The huge issue deliberated upon by attendants of Bretton Woods Conference was the challenge of access to international liquidity in years to

come and whether or not there should be a global bank capable of generating fresh reserves on its own or a more restricted borrowing mechanism. Although at the conference were 44 nations, but the discussions and decisions were hegemonically prevailed over by two contrasting plans which Britain and United States presented. The United States proposal drafted by Harry Dexter White, who was at the time, Chief International Economist at the United States Treasury, was for the creation of a United and Associated Nations Stabilization Fund, where member states was to pay in gold and currencies in amounts determined respectively by the scope of the quota [7]. The generated fund would then serve as a relief fund where members who underwent shortage on their payments' balance are to withdraw from, though within the approved limit. On the other hand, Britain's position which was designed by John Maynard Keynes, called for setting up of a Global Clearing Union [7]. This set-up would be more or less like a Global Bank, and is to work with an unused currency termed 'bancor' which members are to classify on the same level as gold for the aim of settling debts [5]. This clearing union would have States then open and maintain accounts with her and every single member were to be issued a quota depending on the magnitude of its external trade. It is Ajakpuruaja's view that the British proposal generally sought to deliver a major international currency to aid rehabilitation of countries in Europe economically, after collapse of the gold standard. Though there was a constellation of these ideas at some point, but ultimately, the United States' proposal laid the basis for the articles of agreement that bound countries to the Bretton Woods system [8]. For Marcus Taylor, this was a result of the United States' formidable economic and armed defense strength [4].

The American delegates had been quite forward about the type of international order they envisioned. Given the overwhelming superiority of the United States' industrial base, they sought a system in which international trade could proceed relatively unhindered. This would not only help America to meet its goal of economic expansion, the United States' delegates claimed, but would also fuel global prosperity and mutual development [9].

Given that monetary instability was blamed for the disintegration of international trade in the preceding era, the Bretton Woods system was found upon the inauguration of constant exchange rates among currencies in the world. Each currency would be fixed at an agreed amount of US dollars, whereby the latter would be traded for gold at a fixed price. Only slight variations to these exchange rates were allowed. By ensuring that currencies remained fixed, it was intended to provide the reliable financial conditions required for bolstering world trade.

Once the articles of agreement were ratified by member countries at the end of 1945, the International Monetary Fund (IMF) was brought into existence to head the operations of the system, and to handle any potential disruptions. Along with the establishment of the IMF came the creation of the International Bank for Reconstruction and Development (IBRD) and the latter was afterwards termed the World Bank. In succinct, in terms of a fully collaborated and deliberated financial institution set up to preside over financial dealings relations among sovereign states; the Bretton Woods

scheme was a firsthand example. Bretton Woods was designated as a system to operate on the basis of fixed convertibility into gold. The system relied on the strength of the US dollars, which set at a rate of 35 dollars per ounce. As long as the American economy was strong, international confidence remained high and countries accepted and held dollars on a basis of their being as good as gold [10]. Like GATT, the IMF was created by the West, with the United States in the lead, as part of the liberalization of international economic exchange.

#### 4. The International Monetary Fund (IMF)

Officially, the International Monetary Fund (IMF) came into existence on December 27 1945, during the meeting of the forty-four states that participated at the Conference of Bretton Woods when they endorsed and acknowledged its Articles of Agreement. The IMF was charged to be the custodian of the rules as well as the central machinery of public international management. The Fund kicked off its monetary activities on March 1, 1947. Since then the IMF has grown steadily. The institution is headquartered in Washington D.C., and is led by a president who is voted into office for a renewable five-year term. The structure and organization of the IMF revolves around two important organs: the Board of Governors and the Executive Board with the Board of Governors, the topmost policy making organ of the IMF. The board of Governors comprises of one Governor and Deputy Governors chosen by and for every member of the IMF. The head of the Fund is the Managing Director who also functions as the Executive Board's chairman. The Board of Governors oversees the running of the international monetary system, and financial management of the IMF. In a year, it convenes many a times as the need be, in a shared meeting held alongside the World Bank. Applications for membership are processed by the Board of Governors who equally deals with changes on quota allocations and on any additions, substitutions, alterations made on the Articles of Agreement [5]. The Board equally remains the final arbiter on matters associated with the article's clarifications.

The Executive Board are also the chief decision-makers within IMF. While the members of the Fund belong to the Fund's Board of Governors and are represented by twenty-four (24) members at the Executive Board. The 24-member Board is made up of eight executive directors, five of whom represent the Big Five: USA, Germany, Britain, Japan and France, which have the largest quotas. China, Russia and Saudi Arabia make up the other three. The remaining sixteen (16) make up as the other members of the institution. Doubling as the Chairman of the Executive Board is the Managing Director who directly appoints and presides over this executive staff. The execution of the IMF's resolutions and conclusions are delegated by the Board of Governors to the Executive Board. While the IMF is managed daily by an internal management structure, the board of executive directors oversees these actions, including approving loans, determining the administrative budget, evaluating country assistance strategies, and deciding on borrowing and financial decisions.

Though it is said that decisions in the IMF are concluded and made by the majority position, but in reality, the richest and most influential members who are the minority, influence and dictate these decisions or resolutions, not the greater number of less influential member states. Hallwood and Donald put it succinctly that the rich countries are empowered with higher voting power by quota subscription policy which leaves the less developed countries, who are in the majority at their mercy [11]. Unlike the United Nations General Assembly where every nation is assigned one vote, the IMF and World Bank's voting rights are partisaned in line with quota subscription. Since these voting rights are determined roughly by the capacity of a nation's economy, the majority of the voting power have been persistently held by the advanced industrial countries. Approximately, sixty (60) per cent of the voting rights within the institution is accrued to these aforementioned countries, whereas the developing one hundred and sixty-five (165) countries together have only twenty-eight (28) per cent [4]. Currently, about 17 per cent of the voting rights belongs to United States, which accords her a unilateral veto over major decisions of the institution and proposal for constitutional amendment that requires eighty-five (85) per cent of the votes. Voting power moreover translates into direct representation at board meetings.

There are 24 seats in the board, and the representatives are chosen through vote shares. As a consequence, the 46 sub-Saharan African countries together have only two representatives in the executive board, while the rich five countries each have one. Additionally, the United States and European Union both have the unilateral power to choose the presidents. Normally, Europe nominates the president of the International Monetary Fund while the World Bank's president, the United States appoints.

The IMF's roles are many and varied. Its primary function is to assist in maintaining the stability of the global exchange rate by granting short-term loans to states with international balance of payments problems due to deficits on trade, hefty loan payments, or further issues. In such cases, the IMF extends a line of credit to a country so the country can use it to draw upon IMF funds in order to help meet payments of money owed, to purchase back its own currency or take other monetary actions. Most of the IMF funds are earnings received from investing the money that the member countries have contributed to the IMF through a quota system based on their wealth. To help countries stabilize their currencies, the IMF came up with Special Drawing Rights (SDRs) as reserves that central banks of needy countries can draw on.

## 5. IBRD/World Bank

Generally referred to as the World Bank, the International Bank for Reconstruction and Development came into existence as a result on account of the Bretton Woods Conference that held in 1944. It was established as a source of loans to reconstruct the economies of Western Europe that got bastardized as a result of the negative effects of the World War II, and to help states through future financial difficulties. The functions and aims of the

institution are spelt out in Article 1 of the IBRD Articles of Agreement to include:

1. To support the revitalization and growth of member's territories by facilitating financial investments for productive reasons, including the restoration of economies ravaged or disjointed by war, the reconversion of arms facilities for leisure purposes and the support for the expansion of productive facilities and resources in underdeveloping nations.
2. To elevate and encourage private foreign investment by means of guarantees or involvements in loans and additional investments made by private; and to enhance private investment by making capital available where perhaps private capital is unavailable on understandable terms on acceptable terms, as well as funding for productive aims out of its own capital, funds raised by it and its other resources.
3. To encourage wide-spread, uniform growth of global investment for the development of the members' productive resources, and in so doing assist in boosting productivity, conditions of labour and in general, the standard of living in their territories.
4. To ensure that the pressing and much needed projects, both mammoth and miniature ones will be attended to first by organizing and supplying the loans made or guaranteed by it in relation to international loans through other channels.
5. To carry out operations with concern for the impact of global investment on market conditions in members' territories and in the postwar years at hand, to aid in effectuating a fluent progression from a wartime to a peaceful economy.

A number of agencies are associated with the World Bank, which perform different functions that help the institution to realize its objectives. These agencies are; International Development Association (IDA), which was founded in 1960 and has the objective of giving non-interest loans to the least developed nations in the globe, to help them fund essential projects in education, healthcare, safe water and sanitation, to promote economic productivity and to create employment. The IDA loans are on concessionary basis; International Finance Corporation (IFC), founded as a basically commercial agency which give loans to non-governmental corporations in developing states; and the Multilateral Investment Guarantee Agency (MIGA), created to boost the supply of private development capital to less developed nations, by providing guarantees to investors for about 20% of any losses that might be incurred by them from non-commercial risks arising from unstable political environment.

Given the way it is governed, the World Bank has been roundly criticized. While the institution seemingly acts on behalf of 186 countries, in reality, it is controlled by a few elite countries considered economically ahead of the rest. These countries select the leadership and the high ranking officials of the Bank, and as such, their interests come first within the Bank [6]. For instance, an American citizen has always been the President of the Bank and the United States alone, can effectively veto the decisions of the



institution. The decision-making structure is thus, considered in reality, to be undemocratic.

## 6. The Bretton Woods System in the Eyes of the Underdeveloped

In spite of their official aims of ensuring global economic stability and advancing the cause of poverty reduction globally, these institutions have garnered substantial criticism from a vast range of scholars, social movements and political groups. Rivals from the left of the political spectrum have alleged that International Monetary Fund and World Bank policies have contrary to its objectives, served to further embed global poverty and aggravate inequalities. As a consequence, the yearly meetings of the institutions are normally opposed with widespread dissents and massive organized protests from different civil society groups. Conversely, consecutive voices have asserted that these institutions are only bureaucratic and are highly turning out to be out of place in today's globalized world. Editorials in the Wall Street Journal, for example, have repeatedly claimed that the need for the IMF and World Bank have been lessened by the increasing roles of private institutions like multinational corporations and global financial markets; and as such, they should be either streamlined or simply disbanded.

The IMF has equally been overly slammed because the constraining conditions attached by her to the loans collected by developing countries have made it harder for these countries to tackle poverty effectively. Consciously exploiting their recipients' disadvantaged economic position, the IMF carefully foists policies and conditions on those countries that will exacerbate the already bad socio-economic situations. The factual records of IMF lending with regards to fostering financial stability and supporting economic growth is open to fierce, contentious debate. As Volker Rittberger notes, "A number of studies find no significant effect of IMF lending on economic growth..." ([12]: 201). Very many scholars and studies [13,14,15,16], have argued that IMF initiatives and schemes have had a contradictory outcome on growth and economic wellbeing of especially Africa. In his study, Laurence Harris asserts unequivocally "...in their present roles, the IMF and World Bank are wholly unsuited to solving Africa's problems" ([14]: 20). Rather than being a solution to Africa's problems, "The extortionate practices of the international banks and other financial institutions have...contributed to Africa's debt crisis" ([17]: 2). This Africa's external debt, according to Bade Onimode, "...has deteriorated from crisis to disaster, and ...a continental catastrophe" ([18]: 1).

Though it has been argued that the IMF has impacted in the setting up and sustaining [19,20], but the record of the IMF's contributions in fostering a solid universal financial and monetary order is conflicting. It was incapable of preventing the debt crisis of Latin American states in the 1980s, along with the Asian or Russian financial disaster in the 1990s [12]. The IMF loans countries money to stabilize their financial situations by reinforcing their debts. This debt drains the less developed countries which must use large amounts of their earnings from exports and other sources to pay back the money borrowed, its accompanying high interests and services to the loan.

Through this, the economy of the borrowing countries, (mainly LDCs) have been depleted and sapped. Quite unsurprising that Sachs compared the IMF style to that of the 18th century medical practice where patients were treated of their ailment by extracting blood from them. Unarguably, this weakened the patients further, and hastened their deaths [21].

Loans granted by the IMF to less developed countries are subject to conditionality. The conditionality embodies the demands that the country accepting the loan, makes provisions to resolve: the circumstances that caused its balance of payments deficit. Such steps include privatizing public enterprises, lessening obstructions to trade and to flow of funds, cutting down domestic programs so as to slash deficits in government budget, terminating domestic subsidies that unnaturally supplement prices paid by locals and weakening local currencies, which would bring about a surge in rate of exports while causing imports to be more costly [10]. The loan conditionality of the IMF has been interpreted by the less developed as economically and politically oppressive [5,13,22]. The loan conditionality is, especially to the countries in Africa, extremely excessive and severe to bring about maintainable economic growth. IMF's financial aid to underdeveloped countries is dependent in part on the recipient instituting market-oriented changes approved by the IMF. On the surface such conditions sound prudent, but in reality, they have their drawbacks. The implementation of some of the reforms required by the IMF destabilizes the countries that implement such. It harms the quality of life of the residents of the less developed countries by reducing economic growth and by forcing governments to maintain a balanced budget. Often it is the poorest people that are hurt the most, and civil unrest is not uncommon. In 1996 when Jordan came under conditionality pressures of the IMF loan, it ended its subsidy of bread. The price of that staple food shot up overnight by 117 percent [10]. In a country where one-third of the population lives below the poverty line, this price increase caused real hardship and sparked riots in the cities of the country. It is indubitable that such political instability will threaten a government, especially those with fledgling democracy.

In Nigeria, the Structural Adjustment Programme (SAP) proposed and enforced by the IMF and World Bank was responsible for economic woes, deprivation and impoverishment [23]. Linking Nigeria's economic crisis of the 1980s to the IMF/World Bank package, the SAP, Olukoshi posited that the implementation of SAP policies came with unabated adverse consequences for the basic living and working conditions of the vast majority of Nigerians. The sheer magnitude of human misery which was witnessed in the country since the SAP implementation has probably not been paralleled anywhere else on earth during the remaining half of the twentieth century [16]. At its most dramatic, the crisis was captured by the faces of hundreds of thousands starving Nigerians of all ages on television screens. The Nigerian working class bore the worst consequences of a crisis not of its making on account of the monetarist thrust of the IMF and World Bank sponsored structural adjustment programme in Nigeria and elsewhere which saw the worker as the major reason for the economic catastrophe of the time, beyond any other social group within the

country. The position was held that a pliant and soft state succumbed to workers' demands through massive social expenditure which fueled the inflationary spiral and caused other distortions [16]. Consequently, Various administrations in Africa, including Nigeria, moved to enforce the strain of fixing their economic failures on their workforces and poor majority through absurd prices, reduced financial salaries, widespread retrenchment without the befitting rewards, and a severe decline in public expenditure especially social services. In the Nigerian case, the rate of employment suffered severely. Adebayo Olukoshi contained that between 1980 and 1983, "...about one million workers were estimated to have been retrenched..." ([16]: 228). The prices of common products such as sugar, milk, beans, yams, rice and other food items got so high and became unaffordable for workers, not to talk of the retrenched and the jobless. The military government's adoption of a full-blown IMF and World Bank inspired SAP policies led to unilateral cut in the wages and salaries of all public and private sector employees. Apart from this, the government reduced petroleum subsidy by 80 per cent, which led to further hardships. Fares went up by 70 per cent.

In sum, the IMF Structural Adjustment Programme unleashed enormous suffering on Nigerians. Its market-oriented strategy did not show any sign of putting the country on the path to economic recovery. It undermined the living conditions of the people to the advantage of local and foreign exploiters. A foremost Nigerian Economist and academic, Bade Onimode describes the structural adjustment programme of the IMF as a farce, the integral components of the instruments of imperialism in the world [17].

The IMF conditions press the weak and underdeveloped towards a capitalist economy, and represent imperialist design to maintain and deepen the dependency relationship between the North and South. As captured by Rourke,

*The real motives of the IMF...appear to some to be primarily directed at making the developing countries perform better in their client relationship with the West. The emphasis on export-led growth seems to be directed at more efficient production of primary commodities so that the poorest countries earn the foreign exchange with which to import manufactures from, and pay their debts to, developed countries ([10]: 506).*

The institutions reflect by their modus-operandi, the interest and ideology of the West's financial community. Throughout the history of the institutions, the basic rules of operation have remained subdued by America together with Western Europe by the use of their shared ideology of capitalism. In his blunt critique of the IMF, its former vice president, Joseph Stiglitz alleged that when the IMF offers her services to a country, they are uninterested in the progress of that country or how they can help the country to tackle poverty. They are only interested in ensuring the banks and financial institutions are paid [21]. This corroborates Harris' remarks, "...the first priority of these institutions has been to reconstruct and maintain the world capitalist system in which multinational cooperation can trade, invest and move capital across countries without hindrance from national governments" [14].

The IMF's intention to ameliorate the economic catastrophe devastating the development of the poor

nations of the South is not genuine. In spite of differences in the nature and manifestations of economic crises of the needy countries, the IMF has a homogeneous answer to them all, and the same loan conditionality for countries. Consequently, the IMF loan conditionalities are not specifically suited to the different socio-economic conditions of the borrowing states. For this, the IMF was previously interpreted as a quack physician who prescribes similar drug for varied patients bearing unrelated ailments.

One additional criticism hurled at the IMF is that she is more preoccupied with the developed countries' interest in financial stability while overlooking the precise interests of underdeveloped countries and countries in transition [19]. Thus, it has been unable to tackle the crises of developing countries except for situations where they are at risk of unleashing chain reactions capable of destabilizing the developed nations too.

## 7. Conclusion

The IMF and World Bank emanated as a response to true historical happenings and for the specific aim of averting crises and helping to stimulate and support growth. From the foregoing presentation and analysis, it is doubtful if the IMF and World Bank are truly fostering development and economic security. Extrapolating from the theoretical assumptions of political realism adopted by this study, it does appear that the two financial institutions are generating and compounding the risks of vulnerable groups. Even those who view the actions and operations of the two institutions favourably, would unanimously accept that progress can be made with regards to their outputs and mode of operation. The institutions have been assailed with criticisms. The reach of criticism is broad and its scope extends from public protests against the policies and activities of the IMF and World Bank in different states, to the well-informed condemnation by top economists like Joseph Stiglitz. The mishandling of the East Asian crisis earned the institutions a wide damaging image, and made countries increasingly unwilling to draw on its resources. Whatever is left of the image of these international financial bodies, is further wrecked by scandals and corruption found in their leadership. One of the World Bank leaders, Paul Wolfowitz resigned amid claims that he broke internal regulation by negotiating a lucrative transfer for his partner. This further weakened the institutions' prestige and legitimacy in preaching good governance. In the light of all these inadequacies, it is recommended that the need for the IMF and World Bank institutions to reform themselves is long overdue. They should stop acting as the police to the world's economy, and strive to improve themselves so as to reestablish their importance and credibility. In particular, they need to become more responsive to the needs of the poor countries.

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